

Message Text

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17

ACTION EA-09

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03 H-02 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03

LAB-04 SIL-01 ACDA-05 SAJ-01 PA-01 PRS-01 /090 W

----- 023204

R 030730Z FEB 76

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 2513

INFO AMEMBASSY BANGKOK

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMEMBASSY SINGAPORE

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EO 11652: NA

TAGS: ID ETRD ASEAN PFOR

SUBJECT: MALIK ON ASEAN FREE TRADE ZONE

REF: JAKARTA 1436

BEGIN UNCLASSIFIED

1. SUMMARY: IN REMARKS TO JAKARTA PRESS CLUB JANUARY 30, FONMIN ADAM MALIK SAID INDONESIA WOULD HAVE NO OBJECTION TO ASEAN FREE TRADE SYSTEM, IF ALL ASEAN COUNTRIES "WERE ON SAME ECONOMIC LEVEL," BUT THAT THIS WOULD TAKE TIME, AS IN THE CASE OF THE EEC WHICH TOOK FIFTEEN YEARS TO DEVELOP. MALIK WAS STATING GOI'S VIEW THAT FREE TRADE ZONE CONCEPT IS PREMATURE BECAUSE INDONESIA'S INDUSTRIES ARE NOT YET COMPETITIVE AND THAT REAL PROGRESS TOWARD FREE TRADE GOAL SHOULD NOT BE EXPECTED AT FORTHCOMING ASEAN SUMMIT. (FOR MALIK'S OTHER REMARKS DEFENDING GOI FOREIGN POLICY IN GENERAL SEE REFTEL.) END SUMMARY.

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2. MALIK SAID FREE TRADE ZONE WOULD REQUIRE SIMILAR LEVEL

OF TRADE, INDUSTRIAL AND LABOR DEVELOPMENT IN THE FIVE ASEAN COUNTRIES, SO THAT THEY COULD DEAL WITH EACH OTHER ON AN EQUAL BASIS. MALIK OBSERVED, IN THIS CONNECTION, THAT SINGAPORE, THE MOST ADVANCED OF THE FIVE ASEAN NATIONS, HAS BEEN THE MOST INSISTENT IN PUSHING FOR ASEAN FREE TRADE ARRANGEMENTS. EQUALITY AMONG THE ASEAN NATIONS COULD BE ACCOMPLISHED IN TIME, HE SAID, NOTING THAT IT TOOK THE EEC FIFTEEN YEARS TO DEVELOP FREE TRADE ARRANGEMENTS.

3. MINISTER OF ECONOMY WIDJOYO AFTER MEETING WITH PRESIDENT SUHARTO JANUARY 31 DODGED REPORTER'S QUESTIONS ABOUT FREE TRADE ZONE AND AGENDA OF ASEAN SUMMIT IN BALI FEBRUARY 23-25. HE SAID ONLY THAT THE FIVE HEADS OF STATE WOULD DISCUSS MANY ASPECTS OF ECONOMIC COOPERATION AND WOULD TOUCH ON FREE TRADE.
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4. COMMENT: MALIK'S COLD WATER TREATMENT OF MUCH DISCUSSED ASEAN FREE TRADE ZONE REEMPHASIZES GOI VIEW THAT INDONESIA'S COMPETITIVE DISADVANTAGE VIS-A-VIS OTHER ASEAN COUNTRIES, ESPECIALLY SINGAPORE, WOULD BE AGGRAVATED BY LOWER TARIFFS AND THAT FREE TRADE ZONE SHOULD THEREFORE BE VIEWED ONLY AS LONG-RANGE GOAL. UNDERLYING THIS POLICY ARE BASIC PROTECTIONIST APPROACH OF GOI POLICYMAKERS AND STRONG PRESSURES ON GOI FROM PRIVATE AND STATE BUSINESS SECTORS TO MAINTAIN OR INCREASE TARIFF BARRIERS. RECENT ECONOMIC DOLDRUMS HAVE PRODUCED NEW DEMANDS FOR GREATER PROTECTION, AND IN SOME SECTORS SUCH AS TEXTILES FOR OUTRIGHT BAN ON IMPORTS, ALTHOUGH GOI HAS RESISTED MAJOR NEW PROTECTIONIST MEASURES ON GROUND THAT RESULTING HIGHER PRICES WOULD HURT CONSUMERS AND ENCOURAGE EVEN GREATER INDUSTRIAL INEFFICIENCY, IT IS NOT PREPARED TO CUT TARIFFS SIGNIFICANTLY. UNTIL DOMESTIC INDONESIAN INDUSTRY, OF WHICH SIGNIFICANT PORTION IS FUNDED WITH GOVERNMENT BANK CREDITS, ACHIEVES GREATER STRENGTH AND EFFICIENCY, HIGH TARIFF POLICY AGAINST ALL IS LIKELY TO CONTINUE.
NEWSOM

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